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Nakasone and the LDP:  
Riding High But Not Necessarily Moving Ahead

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Summary

Prime Minister Nakasone's success in extending his term in office following the landslide election victory by the Liberal Democratic Party (LDP) in July sets the stage for a year of backroom wheeling and dealing by his would-be successors. Nakasone, for his part, has laid out an ambitious agenda, including a reaffirmation of his intention to lead Japan's economy and politics into a "new postwar era." Despite the LDP's overwhelming majority in both houses of the legislature, Nakasone will not find it easy to make major progress on his policy themes, nor do we expect that Tokyo's approach to most issues will change.

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This memorandum was prepared by [ ] Office of East Asian Analysis. Information available as of 18 September was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Japan Branch, Northeast Asia, OEA, [ ]

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The 1986 Election: Nakasone's Money in the Bank

The Prime Minister's call for an election that brought an overwhelming victory to the LDP--increasing its majority in the upper house and winning 300 of the 512 seats in the more powerful lower house--has given Nakasone renewed political strength. As the election strategist, he takes credit not only for recouping LDP losses in 1983, but also for topping the party's previous high of 296 seats in 1960. What is more important, however, is that Nakasone has opened the door to a political future that should allow him to retain a significant role in the party after he leaves office:

- The election results will make it tough for both the old-line party leaders and their proteges--LDP Secretary General Takeshita, Executive Council Chairman Abe, and Finance Minister Miyazawa--to elbow Nakasone aside, even after 1987.
- In the short run, Nakasone has increased his leverage considerably. All the major LDP factions benefited from the election victory, but Nakasone's faction did especially well. His main ally, Takeshita, also boosted his own following in the massive Tanaka faction and thus he should be in a strong position to help Nakasone in the coming year. [ ]

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Nakasone's increased strength within the party was clear in his shuffle of Cabinet and top party posts after his reconfirmation as prime minister. Although the need to maintain a balance among the LDP's major factions usually governs the choice of new ministers, sources of the Embassy in Tokyo report that Nakasone dispensed with much of the traditional intraparty negotiations, unilaterally placing trusted supporters in key positions. Whether that indicates Nakasone will adopt a tougher style in the party or simply reflects a desire to put his men in place remains to be seen. Press coverage of the Cabinet selection process noted that Nakasone ignored former Prime Ministers Fukuda and Suzuki and party vice president Nikaido in making the personnel selections--a story that has been widely read as evidence of their greatly reduced influence. [ ]

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The One-Year Extension: The Beginning of the End?

The LDP's decision to change the party rules to allow Nakasone to serve as president--and hence prime minister--through October 1987 has been given several interpretations. According to the Embassy, Deputy Prime Minister Kanemaru won agreement from all five ruling party factions in early September to extend Nakasone's term after the Prime Minister assured him that he would resign early, probably after the economic summit in Italy next summer. In our view, such a bargain is plausible. [ ]

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Leaving with a flourish after nationwide local elections next spring or after the economic summit would prevent lameduck status as well as play to the prime ministerial ambitions of Takeshita, who would do the most to ensure Nakasone's continued influence behind the scenes.

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Nakasone, like all his predecessors, is unlikely to feel bound by private promises, particularly if public opinion, his policy agenda, and the LDP's internal balance of power are tipped his way. In the final analysis the LDP rules governing the term of party president, which have been changed four times since 1971, always are prime targets for amendment or artfully contrived circumvention that could "legally" allow Nakasone to stay on.

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#### Who's Next?

With the question of Nakasone's extension settled for now, attention is shifting to the impact of his additional year in office on the competition to succeed him:

-- Takeshita pushed hard for the extension because he needs the time to consolidate control over the Tanaka faction. Takeshita's appointment as LDP Secretary General, the party's number-two post, also boosts his chances to succeed Nakasone. At this point, his main rival in the Tanaka faction, former LDP Vice President Nikaido, is at a marked disadvantage.

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If Takeshita succeeds in becoming the formal leader of the Tanaka faction, Nakasone will come under greater pressure to step down.

-- Abe, who evidently judged his best chances hinged on making his move for the presidency before Takeshita was ready, wanted to limit Nakasone to only a few additional months in office. Abe's recent takeover of the Fukuda faction obviously positioned him for an early run at the top job. In any case, he showed some clout in blocking the open-ended extension Nakasone supposedly sought.

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- Finance Minister Miyazawa, the other aspirant, fared less well. After trying to differentiate his views, particularly on economic policy, from those of Nakasone, Miyazawa saw his ambitions undercut by the LDP's big win in the Diet elections. Also recently named leader of his LDP faction, he had campaigned hard in the party against an election. [REDACTED]

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In sum, we believe Takeshita remains the new leader most likely to follow Nakasone in Tokyo's top job, although the prime minister still is clearly some distance from even suggesting publicly that he has anointed a successor. [REDACTED]

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### Nakasone's Agenda and US Interests

Given the attention we expect to be devoted to political maneuvering by the senior LDP leadership in the next year, Nakasone may have laid out an overly ambitious policy agenda for his remaining months in office. In addition to continuing his efforts on educational and tax reform, he is committed to making the privatization of the deficit-ridden Japanese national railways a top priority in the special fall Diet session. [REDACTED]

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Beyond the specifics, we expect Nakasone to look for opportunities to dramatize his political legacy. As one of Japan's most effective media figures and popular prime ministers, he has identified several themes, such as the need to "overhaul Japanese postwar policies," that are likely to continue in the spotlight and for the most part to complement US objectives:

- We expect Nakasone to maintain his high profile in trying to persuade the Japanese to pull more weight in the international arena, including aid, trade, and monetary affairs. His visit to South Korea--where political relations are usually touchy--for the opening of the Asian Games is an example of the high-visibility effort in an important area that typifies his leadership style.
- The Prime Minister is likely to work for greater realism in Japanese policy, including removal of the 1-percent-of-GNP limit on defense spending. Nakasone has made proposals--in most cases, more symbolic than real--to broaden the role of the Prime Minister as Japan's "Commander-in-Chief." We have no doubt he will continue to press the effort, although not forcefully enough to challenge domestic political opinion and mark his final year in office. [REDACTED]

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Like his predecessors, Nakasone has tried to keep Japan's relations with the USSR in step with US-Soviet ties. Signs of an amelioration in the atmosphere between Washington and Moscow in

the past year have had an obvious effect on Nakasone. Even before his election victory, [ ] he wanted to improve relations with the Soviets. Soviet occupation of the disputed Northern Territories makes a political breakthrough unlikely, but the Prime Minister has welcomed the opportunity for a meeting with Gorbachev in Tokyo, now under discussion for January 1987. As the first visit to Japan by a Soviet leader, a summit would offer Nakasone the chance for a return visit to Moscow as well as credit for any new beginning with the Soviets, however modest. We suspect the Prime Minister will push the bureaucracy to find issues where progress is possible, but in the current economic environment proposals to expand trade and investment are likely to face a tough time. [ ]

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Unlike former Prime Minister Ohira and several of his predecessors, Nakasone is not a technocrat steeped in budgeteering, and he is not inclined to take a leading role in the nuts and bolts of economic policymaking. Even so, if real GNP growth dips below the politically painful 2-percent mark for this fiscal year, Nakasone will be forced to focus more intently on economic growth. To date, he has stuck to his commitment to fiscal austerity, ignoring calls for substantial increases in spending as a pump-priming measure. In our view, the additional public works spending being contemplated as part of a supplementary budget is unlikely to offset the deflationary impact of the yen's appreciation, and pressure may well grow for greater measures to stimulate demand. [ ]

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Nonetheless, we expect Nakasone to emphasize long-term rather than short-term measures to boost demand. Among the many Maekawa Commission recommendations for "restructuring" the Japanese economy, the Prime Minister appears to put priority on reforming the tax system and phasing out uncompetitive industries such as steel and textiles. Implementation of these and other proposals, however, is unlikely during Nakasone's tenure. For example, the timetable for enactment of the Prime Minister's tax reform package, originally scheduled to be submitted to the Diet this fall, now appears to have slipped. [ ]

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On specific trade issues, progress will be difficult despite Nakasone's revitalized political strength. A slowing economy adds to his problems, as does--ironically--a larger, stronger LDP. With an array of diverse, domestic political interests waiting for help from the newly elected Diet contingent, we do not expect the party rank and file necessarily to respond positively to US calls for new economic policy departures, particularly on the market-opening front. Indeed, the strongest voices against opening the Japanese market have always come from within the ruling party. A still powerful bureaucracy and the general perception in Tokyo that a major protectionist backlash in the United States is not on the horizon also are likely to

reinforce a go-slow approach. [REDACTED]

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If Nakasone does not gain a further extension of his term beyond next October, he will still remain an important force in the LDP as head of one of the party's largest factions. How influential he will be on policy issues, however, remains to be seen. It is useful to note that not one of Nakasone's would-be successors--including Takeshita, the front runner--either is closely identified with the full set of goals Nakasone has articulated or is a politician with the same flair for capturing the media attention needed to advance his sometimes controversial plans. [REDACTED]

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**Liberal Democratic Party Factions:  
Outlook for Party Leadership Struggle**

<u>FACTION</u>	<u>Contenders for LDP President</u>	<u>Diet Members</u>	<u>Comment</u>
TANAKA	Takeshita	143	Takeshita's appointment as LDP Secretary General probably makes him the front-runner to succeed Nakasone...has clear advantage in numbers and money...faces battle to gain full control of Tanaka faction with about 20 members still backing former LDP Vice President Nakaido...favored a one-year extension for Nakasone to gain time to strengthen grip on faction.
MIYAZAWA	Miyazawa	90	Miyazawa badly hurt by opposition to July elections, anti-Nakasone stance...a darkhorse candidate despite recent appointment as faction leader...probably hopes to form an alliance with Nakaido, Komoto, and Abe...new position as Finance Minister should keep him from being openly critical of Nakasone administration.
NAKASONE		86	Nakasone's standing in party strengthened by big election win, extension of term through October 1987...will play a key role in selection of his successor--could support Takeshita or Abe...likely to remain a powerful player in LDP politics and policymaking after stepping down.
ABE	Abe	82	Abe helped by new position as faction leader...most popular of "new leaders" in public opinion polls...angry over recent shuffle of party and Cabinet posts, which he feels favored Takeshita...probably hoped to keep an extension for Nakasone to a few months and replace him before Takeshita was ready.
KOMOTO		34	Faction hurt by financial ills of leader...many members have ties to Takeshita.
INDEPENDENT		16	Many independent LDP Diet members receive support from the Tanaka faction.

**Figure 1**  
**Japan: Party Strength in Diet\***

<b>Lower House</b>	<b>Seats</b>	<b>Gains/Losses In July Elections</b>
Liberal Democratic Party	309	+51
Japan Socialist Party	87	-25
Komeito	57	-3
Democratic Socialist Party	28	-11
Japan Communist Party	27	-1
Other	0	
Independents	4	
<b>TOTAL</b>	<b>512</b>	

<b>Upper House**</b>	<b>Seats</b>	<b>Gains/Losses In July Elections</b>
Liberal Democratic Party	143	+11
Japan Socialist Party	40	0
Komeito	25	-1
Democratic Socialist Party	12	-2
Japan Communist Party	16	+2
Other	10	
Independents	5	
<b>TOTAL</b>	<b>252</b>	

\*Includes Independents and members of the now disbanded New Liberal Club who have joined party since election.

\*\*Only one-half of the Upper House was up for reelection. There is one vacancy.



**Figure 2**  
**Japan: Trends in Support for the LDP**

Share of Votes and Seats in Elections  
for the Lower House of the Diet, 1958-86

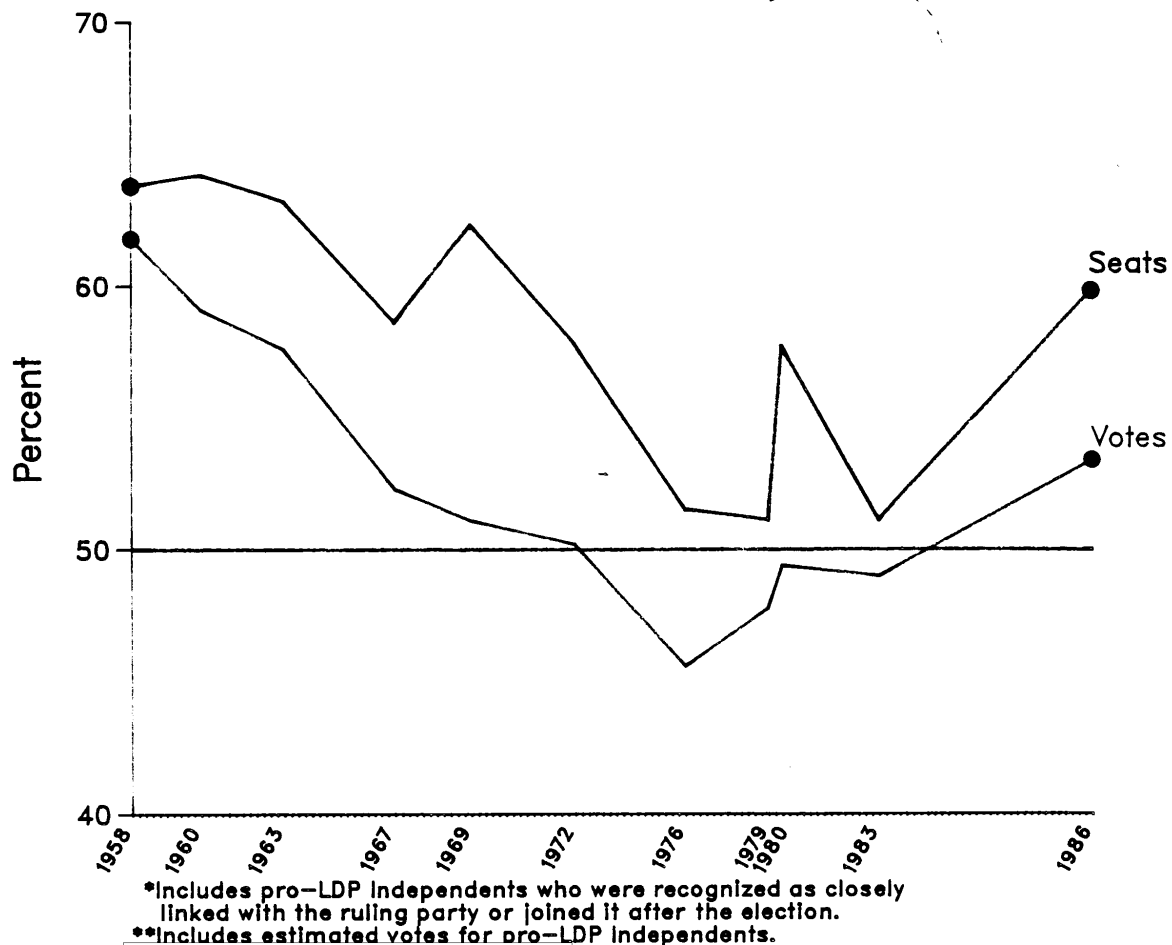
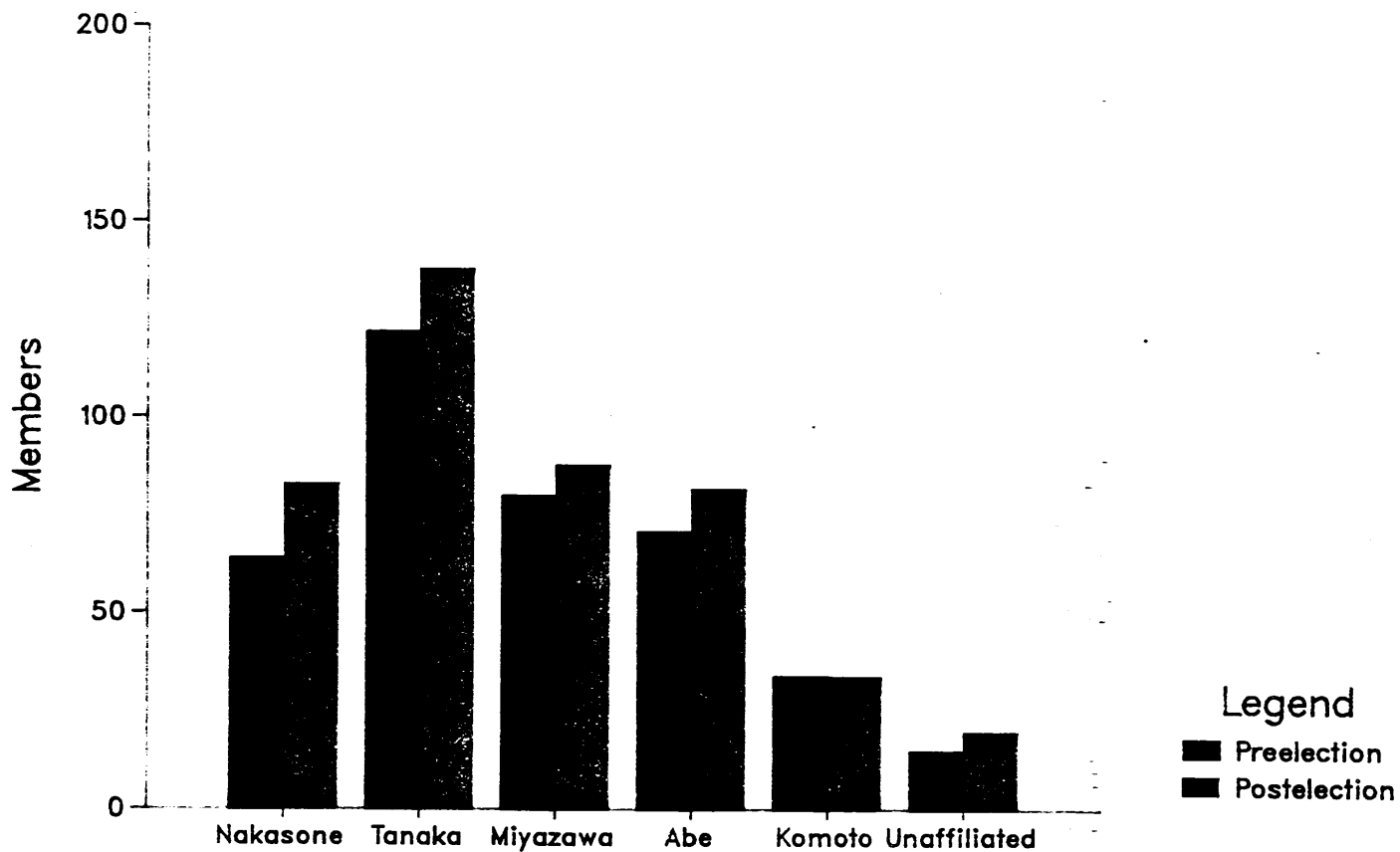


Figure 3

### Japan: LDP Factional Strength\*



\*Includes upper and lower house Diet members.

SUBJECT: Nakasone and the LDP: Riding High But Not Necessarily Moving Ahead

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- 1 - C/EA/[REDACTED] (5E 18)
- 1 - OGI/IIC/PI (2G 18)
- 1 - OEA/NEA/Korea Branch (4G 43)
- 1 - OEA/NEA/STI Branch (4G 43)
- 1 - OEA/NEA Division (4G 43) 25X1
- 1 - OEA/China Division (4G 32)
- 1 - OEA/SEA Division (4F 24)
- 1 - D/OEA (4F 18)
- 1 - C/Production/OEA (4G 48)
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- 1 - DDI (7E 47)
- 1 - Senior Review Panel (5G 00)
- 1 - PDB Staff (7F 30)
- 5 - CPAS/IMC/CB (7G 07)
- 1 - CPAS/ILS (7F 50)
- 1 - C/PES (7F 24)
- 1 - NIC/AG (7E 47)
- 1 - DDO/EA Division (5D 00)
- 1 - DDO/EA/[REDACTED] (5C 45) 25X1
- 1 - LDA/EAD/AB (1H18)

[REDACTED]

DDI/OEA/NEA/Japan, [REDACTED] 15 September 1986

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